COMPANY RESULTS

Carlsberg Brewery Malaysia (CAB MK)

2Q25: Below Expectations; Price Hike To Offset Soft Sentiment

Carlsberg's 1H25 results came in marginally below expectations, dragged by persistently soft consumer sentiment and continued challenges in Singapore. Overall, 1H25 sales volume declined across all segments with the premium portfolio seeing the largest decline. Going forward, Carlsberg announced a price increase in Malaysia effective 1 September, which is expected to partially offset the slowing consumption. Maintain BUY with a lower target price of RM23.30

2Q25 RESULTS

Year to 31 Dec (RMm)	2Q25 (RMm)	qoq % chg	yoy % chg	1H25 (RMm)	yoy % chg
Revenue	**490.2**	**-26.0**	**-3.4**	**1,153.0**	**-6.5**
Malaysia	369.4	-25.3	1.5	864.0	-4.6
Singapore	120.8	-28.2	-15.9	289.0	-11.9
Operating Profit	**92.2**	**-20.9**	**-5.4**	**208.9**	**-4.4**
Malaysia	80.7	-23.6	4.9	186.3	2.7
Singapore	14.6	40.2	-28.5	24.9	-31.9
Share of Asso.	9.1	34.8	10.2	15.9	0.5
Pre-tax Profit	104.4	-14.8	-0.9	227.0	-2.5
Core Net Profit	**82.2**	**-13.3**	**3.5**	**177.0**	**5.8**
Margin	**%**	**qoq ppt chg**	**yoy ppt chg**	**%**	**yoy ppt chg**
EBIT margin	18.8	1.2	-0.4	18.1	0.4
Malaysia	21.8	0.5	0.7	21.6	1.5
Singapore	12.0	5.9	-2.1	8.6	-2.5
PBT margin	21.3	2.8	0.5	19.7	0.8
Core net profit	16.8	2.5	1.1	15.4	1.8

Source: Carlsberg Brewery Malaysia, UOB Kay Hian

RESULTS

- **1H25 below expectations.** Carlsberg Brewery Malaysia (Carlsberg) reported a core net profit of RM82.2m (-13.3% qoq, +3.5% yoy), bringing 1H25 core net profit to RM177.0m (+5.8% yoy). This is below expectations, representing 44% of our and 46% of consensus full-year forecasts. The negative deviation largely stemmed from weaker-than-expected earnings from the Singapore segment, partially offset by a lower tax in 2Q25 and stronger contributions from Sri-Lankan associate Lion Brewery (Ceylon). A second interim dividend of 20 sen (unchanged yoy) was announced, bringing the total to 43 sen (1H24: 42 sen).

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	2,261	2,376	2,378	2,473	2,551
EBITDA	445	474	484	540	597
Operating profit	388	416	426	481	536
Net profit (rep./act.)	345	337	346	390	433
Net profit (adj.)	333	337	346	390	433
EPS (sen)	108.3	109.6	112.4	126.7	140.9
PE (x)	18.1	17.9	17.4	15.4	13.9
P/B (x)	25.6	21.6	19.5	17.6	15.8
EV/EBITDA (x)	13.2	12.7	12.4	11.1	10.0
Dividend yield (%)	4.8	5.1	5.2	5.9	6.6
Net margin (%)	15.2	14.2	14.5	15.8	17.0
Net debt/(cash) to equity (%)	9.4	(2.7)	(0.3)	(7.6)	(13.7)
Interest cover (x)	87.6	148.3	727.5	n.m.	n.m.
ROE (%)	126.0	114.2	111.4	119.1	125.1
Consensus net profit	-		366	384	407
UOBKH/Consensus (x)	-		0.94	1.02	1.06

Source: Carlsberg Brewery Malaysia, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM17.28
Target Price	RM23.30
Upside	+34.8%
(Previous TP	*RM24.90)*

COMPANY DESCRIPTION

Carlsberg manufactures and distributes beer. Its key brands are Carlsberg, Kronenbourg, Somersby and Conor's Stout Porter.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	CAB MK
Shares issued (m):	305.7
Market cap (RMm):	5,283.3
Market cap (US$m):	1,248.9
3-mth avg daily t'over (US$m):	0.4

Price Performance (%)

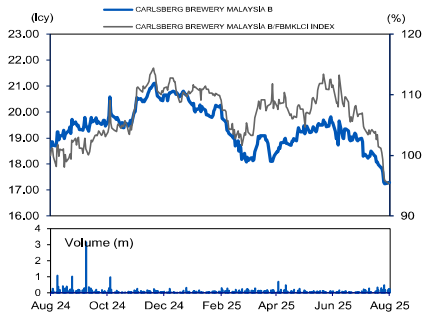
52-week high/low RM21.12/RM17.24

1mth	3mth	6mth	1yr	YTD
(8.9)	(10.2)	(14.7)	(6.1)	(16.4)

Major Shareholders	%
Carlsberg A/S	51.0
OCBC	3.0
AIA	2.2

FY25 NAV/Share (RM)	2.38
FY25 Net Debt/Share (RM)	2.05

PRICE CHART



Source: Bloomberg

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- **Sales volume slowed after CNY.** Carlsberg reported a revenue of RM1.15b (-6.5% yoy) in 1H25. Overall sales volume declined as the combination of an earlier Chinese New Year (CNY) and persistently soft consumer sentiment resulted in weaker sales across all segments. We understand that Carlsberg' mainstream and premium portfolios saw yoy declines of 5% and 12% respectively in 1H25, although the drop in premium was mainly in Singapore. While Malaysian revenue fell to RM864.0m (-4.6% yoy), operating profit increased to RM186.3m (+2.7% yoy) due to continued cost optimisations.

- **Headwinds in Singapore remained.** Carlsberg's Singapore segment reported revenue of RM289.0m (-11.9% yoy) and operating profit of RM24.9m (-31.9% yoy) during 1H25. The segment remained under pressure for the group as continued efforts to grow the Sapporo brand have been met with middling results. Recall, Carlsberg only holds the on-trade distributorship for Sapporo in Singapore with footfalls in on-trade channels softening further in 1H25. We anticipate the Singapore segment will remain muted going forward given the fierce competitive environment and price competition.

STOCK IMPACT

- **Price hike to offset volume slump.** Carlsberg announced a single-digit price increase on some of its products effective 1 Sep 25. While the exact quantum was not disclosed, we opine it would be within the 5-8% range, similar to price hikes in previous years. Carlsberg is hiking prices largely to protect margins following the dour consumer sentiment. Uncertainty regarding subsidy rationalisation in Malaysia and the generally weaker performance in Singapore has put pressure on margins across the board with ASP facing contractions in the premium segment. However, given stable raw material prices and the strengthening ringgit, we believe margins may improve slightly in the short term, especially given that the announced price hike may result in forward buying ahead of time.

- **Signals for an excise increase?** During the tabling of the 13 Malaysia Plan, the government announced it would extend the pro-health tax currently applied to sugary drinks to alcohol and cigarettes. While the exact mechanism has yet to be announced, any effective increase in excise is likely to drag sales volume for the sector. Recall, the last increase in excise duty was in 2016. While details are still unclear, we remain wary of any regulatory risk to earnings in the future following the announcement.

EARNINGS REVISION/RISK

- **We cut our 2025/26/27 earnings by 6%/2%/1% respectively,** imputing lower sales volume, partially offset by the price increase.

VALUATION/RECOMMENDATION

- **Maintain BUY with a lower target price of RM23.30.** We use a WACC estimate of 7.8% and terminal growth rate of 3.0% to arrive at our fair value estimates. Our DCF-derived target price implies 20.7x 2025F PE, 0.25SD below its five-year mean. The stock offers decent dividend yields of 5.2-6.5% from 2025-27.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

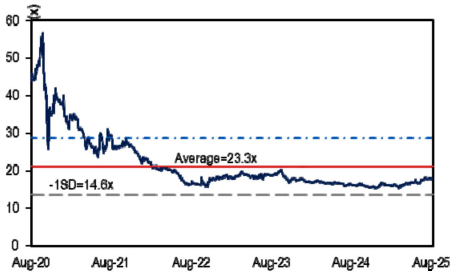
• **Environmental**
- **Water management.** 50% reduction in water usage at its breweries by 2030.
- **Emissions.** Zero carbon emissions and 100% electricity from renewable sources at its breweries by 2030. Zero coal at its breweries.
• **Social**
- **Product services responsibility.** 100% availability of alcohol-free brews. 100% responsible drinking messaging through packaging and brand activations.
• **Governance**
- **Board gender diversity.** Board gender composition of 71:29 male-to-female ratio.
- **Management gender diversity.** Carlsberg has a 67% female representation in its management team.

KEY ASSUMPTIONS

	2025F	2026F	2027F
Sales (RMm)	**2378**	**2473**	**2551**
Malaysia	**1767**	**1861**	**1927**
- yoy Growth (%)	0.8	5.3	3.5
- Volume Growth (%)	-3.0	2.0	2.0
ASP Growth (%)	3.9	3.3	1.5
Singapore	**612**	**612**	**624**
- yoy Growth (%)	-5.0	0.0	2.0
Core Profit (RMm)	**346**	**390**	**433**
- yoy Growth (%)	2.5	12.8	11.2
Core Profit Margin (%)	14.5	15.8	17.0

Source: UOB Kay Hian

12-MONTH FORWARD PE BAND



Source: Carlsberg Brewery Malaysia, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**2,376**	**2,378**	**2,473**	**2,551**
EBITDA	474	484	540	597
Deprec. & amort.	58	59	60	61
EBIT	416	426	481	536
Associate contributions	36	37	39	41
Net interest income/(expense)	(3)	(1)	(0)	0
Pre-tax profit	**448**	**462**	**520**	**578**
Tax	(108)	(111)	(125)	(139)
Minorities	(4)	(6)	(5)	(6)
Net profit	**337**	**346**	**390**	**433**
Net profit (adj.)	326	346	390	433

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	374	318	324	332
Other LT assets	160	220	220	220
Cash/ST investment	85	68	83	99
Other current assets	515	510	527	541
Total assets	**1,133**	**1,115**	**1,154**	**1,192**
ST debt	77	67	57	47
Other current liabilities	744	700	709	713
Other LT liabilities	30	30	30	30
Shareholders' equity	278	308	342	380
Minority interest	5	11	16	22
Total liabilities & equity	**1,133**	**1,115**	**1,154**	**1,192**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**305**	**372**	**447**	**490**
Pre-tax profit	448	462	520	578
Tax	(108)	(111)	(125)	(139)
Deprec. & amort.	58	59	60	61
Working capital changes	70	(38)	(8)	(10)
Non-cash items	0	0	0	0
Other operating cashflows	(163)	0	0	0
Investing	**(93)**	**(63)**	**(66)**	**(69)**
Capex (maintenance)	(105)	(63)	(66)	(69)
Proceeds from sale of assets	0	0	0	0
Others	12	0	0	0
Financing	**(280)**	**(325)**	**(366)**	**(405)**
Dividend payments	(238)	(315)	(356)	(395)
Proceeds from borrowings	(42)	(10)	(10)	(10)
Loan repayment	n.a.	n.a.	n.a.	n.a.
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	**(68)**	**(17)**	**15**	**16**
Beginning cash & cash equivalent	**95**	**85**	**68**	**83**
Changes due to forex impact	(1)	0	0	0
Ending cash & cash equivalent	**27**	**68**	**83**	**99**

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	19.9	20.4	21.9	23.4
Pre-tax margin	18.9	19.4	21.0	22.7
Net margin	14.2	14.5	15.8	17.0
ROA	37.6	38.9	42.9	46.8
ROE	114.2	111.4	119.1	125.1
Growth				
Turnover	5.1	0.1	4.0	3.2
EBITDA	6.5	2.2	11.6	10.5
Pre-tax profit	6.7	3.1	12.4	11.2
Net profit	(2.2)	2.5	12.8	11.2
Net profit (adj.)	(2.2)	2.5	12.8	11.2
EPS	(2.2)	2.5	12.8	11.2
Leverage				
Debt to total capital	27.2	21.0	15.9	11.7
Debt to equity	27.7	21.7	16.6	12.3
Net debt/(cash) to equity	(2.7)	(0.3)	(7.6)	(13.7)
Interest cover (x)	148.3	727.5	n.a.	n.a.

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